



Hot topic: lots of listings

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE NATIONAL POST

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The Toronto Real Estate Board (TREB) reported a strong result for existing home sales and average selling price in February. Last month, 7,291 transactions were reported through the Multiple Listing Service® (MLS®) within the TREB market area, representing a 77 per cent increase over the same month last year. The average price for these transactions was \$431,509 – up 19 per cent compared to February 2009. The annual rates of growth reported for sales and average price were due to both increased demand for ownership housing driven by strengthening consumer confidence and the base year effect, which involves a comparison of economic recovery this year to a period of economic decline last year.

While strong growth in existing home sales and average price was forecast to be strong in the first half of 2010, the big story last month was listings. New listings increased by almost 25 per cent compared to February 2009. After adjusting for the season and annualizing this figure, we found that new listings climbed back to levels not seen since the fall of 2008.

“Existing home owners have started to react positively to the strengthening market conditions we have seen since the half-way point of 2009,” said Jason Mercer, TREB’s Senior Manager of Market Analysis. “An increasing number of home owners have become confident that they will be able to list their home and receive offers in line with their asking price within a reasonable time period.”

In my experience, it has always been important to strike a balance between sales and listings in the market place. When the number of buyers increases rapidly relative to the supply of listings, like we saw in the second half of 2009, it becomes more difficult for would-be home buyers to find a home that meets their needs. These tight market conditions have resulted in strong year-over-year price increases. As the supply of listings increases moving forward, the annual rate of price growth will edge lower.

“It is important that home prices grow at a sustainable pace in the long run. The rate of price growth will often fluctuate quite a bit over a short period of time. The past twelve months has been a good example, with price declines this time last year improving to the current situation of double-digit rates of growth,” explained Mercer. “Over the long term we want to see home prices growing in line with broader economic indicators like GDP and disposable income. With more listings coming on stream this year, we will see sustainable rates of price growth.”

It is clear to me that the housing market in Toronto is performing as it should. Demand for ownership housing improved as interest rates declined and consumer confidence in economic recovery rebounded. Average home price growth picked up as market conditions tightened. In response to increased sales and average price, we are seeing an increasing number of new listings, which will result in more balanced market conditions associated with sustainable long-term price growth. I look forward to discussing GTA housing market trends in further detail with you next month.

Tom Lebour is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.